

**HARTFORD UNDERWRITERS INSURANCE COMPANY**

**NAIC COMPANY 30104**

**MARKET CONDUCT EXAMINATION REPORT**  
**as of December 31, 2005**

**COLORADO DEPARTMENT OF REGULATORY AGENCIES  
DIVISION OF INSURANCE**

**PREPARED BY INDEPENDENT CONTRACTORS  
FOR  
COLORADO DEPARTMENT OF REGULATORY AGENCIES  
DIVISION OF INSURANCE**

**Hartford Underwriters Insurance Company**

**MARKET CONDUCT  
EXAMINATION REPORT  
as of  
December 31, 2005**

**Prepared by**

**James H. Daughan, CPCU, CIE, AIM**

**Independent Contract Examiner**

May 26, 2006

The Honorable David Rivera  
Commissioner of Insurance  
State of Colorado  
1560 Broadway Suite 850  
Denver, Colorado 80202

Commissioner Rivera:

In accordance with Sections 10-1-203, C.R.S. and 10-3-1106, C.R.S., the examiners reviewed selected claims, underwriting and rating practices of the Hartford Underwriters Insurance Company's private passenger automobile and homeowners business. The Company's records were examined at the Company's Regional Office located at 10400 North 25<sup>th</sup> Avenue in Phoenix, Arizona, 85062. The examination covered a one-year period from January 1, 2005, to December 31, 2005.

A report of the examination of the Hartford Underwriters Insurance Company is, herewith, respectfully submitted.

James H. Daughan, CPCU, CIE, AIM

Independent Market Conduct Examiner

**MARKET CONDUCT  
EXAMINATION REPORT  
OF  
Hartford Underwriters Insurance Company**

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**COMPANY PROFILE****HARTFORD UNDERWRITERS INSURANCE COMPANY**

Hartford Underwriters Insurance Company was incorporated on December 23, 1987, to serve as the vehicle for re-domestication of New York Underwriters Insurance Company from the State of New York to the State of Connecticut. The change became effective December 31, 1987. New York Underwriters was incorporated on August 11, 1925, and commenced business on January 1, 1926. The Hartford Financial Services Group Inc. is the parent corporation and is publicly held.

Hartford Underwriters was the preferred writer of private passenger automobile insurance for the American Association of Retired Persons (AARP) written in Colorado. The Company discontinued writing all automobile new business as of 2/8/01. New business for AARP is now written through Property Casualty Insurance Company, a member of the Hartford Financial Group.

Hartford Underwriters discontinued writing homeowners new business as of 10/1/2000. New business is now written through the Property Casualty Insurance Company.

The Company is licensed in all fifty states and the District of Columbia. It was licensed in Colorado on March 1, 1977.

As of December 31, 2005, Hartford Underwriters Insurance Company had 29,609\* Private Passenger Automobile policies and 21,969\* Homeowners policies in force in Colorado. The company reported \$34,259,000\*\* private passenger automobile written premium and \$14,188,000\*\* Homeowners written premium in Colorado as of December 31, 2005. This represented a 1.23%\*\* market share of all private passenger automobile insurance and 1.27%\*\* homeowners insurance written in Colorado.

\*Data as reported by the Company

\*\*Data as reported in the Colorado Insurance Industry Statistical report

### **PURPOSE AND SCOPE OF EXAMINATION**

This market conduct report was prepared by independent examiners contracting with the Colorado Division of Insurance for the purpose of auditing certain business practices of insurers licensed to conduct the business of insurance in the State of Colorado. This procedure is in accordance with Colorado Insurance Law, Section 10-1-204, C.R.S., which empowers the Commissioner to supplement his resources to conduct market conduct examinations. The findings in this report, including all work product developed in the production of this report, are the sole property of the Colorado Division of Insurance.

The purpose of the examination was to determine the Company's compliance with Colorado insurance law and with generally accepted operating principles related to automobile insurance. Examination information contained in this report should serve only these purposes. The conclusions and findings of this examination are public record. The preceding statements are not intended to limit or restrict the distribution of this report

The examination was governed by, and was performed in accordance with, procedures developed by the National Association of Insurance Commissioners and the Colorado Division of Insurance. In reviewing material for this report the examiners relied primarily on records and materials maintained by the Company. The examination covered twelve months of the Company's operations, from January 1, 2005, to December 31, 2005.

File sampling was based on a review of claims, underwriting and rating files systematically selected from file runs provided by the company. Sample sizes were chosen based on procedures developed by the National Association of Insurance Commissioners. Upon review of each file, any findings were noted on a comment form and delivered to the Company for review. Once the Company was advised of a finding contained in a comment form, the Company had the opportunity to respond and was requested to agree, disagree or otherwise justify the Company's noted action.

The examination report is a report by exception and much of the material reviewed is not addressed in the written report. Reference to any practices, procedures, or files, which manifested no improprieties, was omitted.

An error tolerance level of plus or minus ten dollars (\$10.00) was allowed in most instances where monetary values were involved. However, in instances where monetary values were generated by computer or other systematic methodology, a zero (\$0) tolerance level was applied in order to identify possible system errors. Additionally, a zero (\$0) tolerance level was applied in instances where there appeared to be a consistent pattern of deviation from the Company's established policies, procedures, rules and/or guidelines. When sampling was involved, a minimum error tolerance level of five percent (5%) was established to determine reportable exceptions. However, if an issue appeared to be systemic or, when due to the sampling process, it was not feasible to establish an exception percentage, a minimum error tolerance percentage was not utilized. Also, if more than one sample was reviewed in a particular area of the examination (e.g. timeliness of claims payment), and if one or more of the samples yielded an exception rate of five percent (5%) or more, the results of any other samples with exception percentages less than five percent (5%) are also included.

The report addresses Private Passenger Automobile and Homeowner issues and contains information regarding exceptions to Colorado insurance law. The examination included review of the following four (4) Company operations:

1. Company Operations and Management
2. Complaint Handling
3. Underwriting and Rating
4. Claims

Certain unacceptable or non-complying practices may not have been discovered in the course of this examination. Additionally, findings may not be material to all areas that would serve to assist the Commissioner. Failure to identify or criticize specific Company practices does not constitute acceptance by the Colorado Division of Insurance. Examination findings may result in administrative action by the Division of Insurance.

**EXAMINERS' METHODOLOGY**

The examiners reviewed the Company's claim, complaint, underwriting and rating practices for private passenger automobile and homeowners insurance to determine compliance with Colorado insurance law.

**Exhibit 1: Private Passenger Auto**

<b>Law</b>	<b>Subject</b>
Section 10-1-101.	Legislative Intent
Section 10-1-205.	Financial Examination Reports
Section 10-1-203.	Authority, scope, and scheduling of examinations
Section 10-3-1104.	Unfair methods of competition and unfair or deceptive acts or practices
Section 10-3-1106.	Power of Commissioner
Section 10-3-1107.	Hearings
Section 10-3-1108.	Orders
Section 10-3-1109.	Penalty for violation of cease and desist orders
Section 10-4-401.	Purpose-applicability
Section 10-4-602.	Basis for Cancellation.
Section 10-4-603.	Notice.
Section 10-4-604.	Nonrenewal.
Section 10-4-605.	Proof of notice.
Section 10-4-609.	Insurance protection against uninsured motorists-applicability.
Section 10-4-610.	Property damage protection against uninsured motorists.
Section 10-4-611.	Elimination of discounts – damage by uninsured motorist.
Section 10-4-613.	Glass repair and replacement.
Section 10-4-614.	Inflatable restraint systems - replacement - verification of claims.
Section 10-4-618.	Unfair or discriminatory trade practices-legislative declaration
Section 10-4-619.	Coverage compulsory
Section 10-4-620.	Required Coverage
Section 10-4-621.	Required Coverages are minimum
Section 10-4-622.	Required provision for intrastate and interstate operation
Section 10-4-623.	Conditions and exclusions
Section 10-4-624.	Self-insurers
Section 10-4-625.	Quarterly premium payments
Section 10-4-626.	Prohibited reasons for non-renewal or refusal to write a policy
Section 10-4-627.	Discriminatory standards-premiums-surcharges-proof of financial resp.
Section 10-4-628.	Refusal to write-changes in-cancellation-non-renewal of policies
Section 10-4-629.	Cancellation-renewal-reclassification
Section 10-4-630.	Exclusion of named driver
Section 10-4-631.	Insurers to file rate schedule
Section 10-4-632.	Reduction in rates for drivers 55 years or older/drivers ed course
Section 10-4-633.	Certification of policy and notice forms
Regulation 1-1-6.	Certification of forms
Regulation 1-1-7.	Market Conduct Record Retention.
Regulation 1-1-8.	Penalties And Timelines Concerning Division Inquires and Document Requests



Regulation 5-1-2.	Application and Binder Forms.
Regulation 5-1-10.	Rate and Rule Filing Regulation
Regulation 5-1-16.	Limitations on the Use of Credit Information or Ins. Scoring.
Regulation 5-2-1.	Relative Value Schedule for No Fault.
Regulation 5-2-2.	Renewal of Automobile Insurance Policies – Excluded Named Drivers.
Regulation 5-2-3.	Auto Accident Reparations Act (No Fault) Rules and Regulations.
Regulation 5-2-6.	Automobile No Fault Cost Containment Options.
Regulation 5-2-8.	Timely Payment of Personal Protection Benefits.
Regulation 5-2-9.	Personal Injury Protection Examination Program.
Regulation 5-2-12.	Concerning Automobile Consumer Protections
Regulation 6-1-1.	Limiting coverage.
Regulation 6-2-1.	Complaint Record Maintenance.

### **Company Operations and Management**

The examiners reviewed Company management, implementation, quality control, record retention, installment payment plans, form certification, and timely cooperation with the examination process.

### **Complaints**

The examiners reviewed and compared the complaint log maintained by the Division of Insurance with the Company's complaint log to verify the accuracy of the Company's tracking system. Also, the examiners evaluated the Company's complaint handling methodology and reviewed the reasons for and disposition of, complaints.

Review List	Population	Sample	Percent to Population
Complaints	82	25	31%

### **Contract Forms and Endorsements**

The following Private Passenger Automobile forms and endorsements were reviewed for compliance applicable to the period under examination as filed with the Colorado Division of Insurance.

Title	Form Number
Personal Auto Policy Summary Disclosure (effective 1/1/06)	PLA-88-3
Recover Care Essential Services Coverage	A-6046-0
Personal Auto Policy –Colorado	8505
Suspension of Insurance	A-4103
Reinstatement of Insurance	A4104-1
Additional premium-Financial Responsibility Filing	A-4114-0
Additional Insured Lessor	A-4361

Supplementary application Anti-Theft	A-4387-0
Personal Auto Policy Declarations	A-4600-0
Amendment of Declarations (Split Limits)	A-4610-1
Federal Employees Using Autos In Government Business	A-4631-0
Schedule of Automobiles	A-4690-0
Declarations Page	A-4800-OCC
Lifetime Continuation Agreement	A-4832-1
Additional Premium-Financial Responsibility Filing	A-4893-1
Snowmobile Endorsement	A-5224-0
Property Damage Uninsured Motorists Coverage- CO(manual)	A-5244-3
Waiver of Collision Coverage	A-5260-1
Customizing Equipment Coverage	A-5305-1
Motor Homes Extension of Coverage Endorsement	A-5317-4
Specified Perils Personal Effects Coverage Motor Homes	A-5318-2
Coverage To Damage To Your Auto (manual)	A-5320-1
Customizing Equip Coverage (stated amt ins) Schedule	A-5340-1
Joint Ownership Coverage (manual)	A-5392-1
Auto loan/lease Coverage (manual)	A-5393-0
Joint Ownership Coverage	A-5419-1
Optional Limits Transportation Expenses Coverage	A-5420-1
Extended Non-Owned Coverage for Named Individuals	A-5421-0
Trailer Coverage Maximum Limit of Liability (manual)	A-5422-1
Coverage For Damage To Your Auto (Maximum Limits of Liab)	A-5423-0
Coverage for Audio, Visual and Data Electronic Equipment	A-5424-1
Snowmobile Endorsement (Split Limits)	A-5425-1
Limited New Mexico Coverage (manual)	A-5426-2
Named Non-Owner Coverage	A-5427-2
Miscellaneous Type Vehicle Endorsement	A-5428-2
Participating Coverage For Damage to Your Auto	A-5429-0
Optical Limits Transportation Expenses Coverage (Schedule)	A5438-1
Coverage For Audio, Visual and Data Electronic Equipment	A-5439-2
Supplemental Death Benefit	A-5552-0
Motor Home Personal Liability Coverage Endorsement	A-5577-1

Limited Mexico Coverage	A-5579-2
Mexican Collision Coverage	A-5582-1
Miscellaneous Type Vehicle Endorsement (manual)	A-5614-2
Single Liability Limit	A-5670-0
Single Uninsured Motorists Limit	A-5671-0
Coverage For Damage To Your Auto Exclusion Endorsement	A-5719-0
Amendment of Policy Provisions-Colorado	A-5866-6

### **In Force Business /Cancellations/Non-renewals/Surcharges**

For the period under examination the examiners systematically selected the following underwriting samples to determine compliance with Colorado Insurance law.

Private Passenger Auto			
Review Lists	Population	Sample	Percentage to Population
In Force Business	29,887	100	.3%
Non-renewals	28	28	100%
Cancel Non Pay	1223	50	4%
Cancelled/Underwriting Reasons	29	29	100%
Surcharges	4301	50	1%

Homeowners			
Review Lists	Population	Sample	Percentage to Population
In Force Business	21,982	50	3%
Non-Pay Cancellations	638	50	8%
Mid-Term Cancellations	49	49	100%
Non-Renewals	79	50	63%

### **Rating**

The examiners reviewed rate and rule filings, statistical justifications, and methodology submitted to the Colorado Division of Insurance for the period under examination. This information was compared to a sample of in-force policies, rated by coverage, to determine compliance with base rates, territory codes, symbols, class plans, discounts, tier-rating factors, and final premium calculations.

**Claims**

The examiners reviewed the company's claim handling procedures and the timeliness and accuracy of payments.

**Private Passenger Auto**

Review Lists	Population	Sample	Percent to Population
Med Pay (2005 accident year)	140	50	36%
All Other Paid Claims (ex glass)	3667	50	1%
Closed without payment	1368	50	4%

**Homeowners**

Review Lists	Population	Sample	Percent to Population
Claims Paid	1878	50	3%
Closed without payment	732	50	7%

**EXAMINATION REPORT SUMMARY**

The examination resulted in one (1) issue arising from the Company's apparent failure to comply with Colorado statutes and regulations that govern all property and casualty insurers operating in Colorado. This issue involved one of the four (4) categories of Company operations examined as follows:

**Company Operations and Management:** In the area of company operations one (1) compliance issue is addressed in this report.

- Failure to file an updated homeowners disclosure form.

**Complaint Handling:** In the area of complaint handling no compliance issues are addressed in this report.

**Underwriting and Rating:** In the area of underwriting and rating no compliance issues are addressed in this report.

**Claim Handling:** In the area of claim handling no compliance issues are addressed in this report.

A copy of the Company's response, if applicable, can be obtained by contacting the Company or the Colorado Division of Insurance. Results of previous Market Conduct Exams are available on the Colorado Division of Insurance's website at [www.dora.state.co.us/insurance](http://www.dora.state.co.us/insurance) or by contacting the Colorado Division of Insurance.

**HARTFORD UNDERWRITERS INSURANCE COMPANY**

**PERTINENT FACTUAL FINDINGS**

**PERTINENT FACTUAL FINDINGS**  
**OPERATIONS AND MANAGEMENT**

**Issue A: Failure to file an updated homeowners disclosure form.**

Section 10-4-111, C.R.S., Summary disclosure forms required, states, in part:

- (1) Every insurer issuing policies of dwelling fire insurance, homeowners insurance, or automobile insurance subject to the provisions of parts 6 and 7 of this article shall, as a condition of doing business in this state, have on file for public inspection at the division of insurance, a summary disclosure form which contains a simple explanation of the major coverages and exclusions of such policies of insurance together with a recitation of general factors considered in cancellation, nonrenewal, and increase in premium situations. Each summary disclosure form shall provide notice in bold face letters that the policyholder should read the policy for complete details, and such disclosure form shall not be construed to replace any provision of the policy itself. In the event of any conflict between the policy and the disclosure form, the provisions of the policy shall prevail.
- (2) Every insurer shall update disclosure forms periodically subject to changes in major coverages and exclusions of such policies of insurance and changes in factors considered in cancellation, nonrenewal, and increase in premium situations.

The company made an initial filing of summary disclosure forms DRA-760-0 (automobile) and DRH-265-0 (homeowners) on 7/28/95. Subsequently, updated editions of Automobile disclosure forms were timely filed. However, it appears that the Company is not in compliance with Colorado insurance law in that the updated form DRH-265-1, (homeowners) Ed. 5-04, was not filed with the Division of Insurance.

**Recommendation # 1:**

Within thirty (30) days the Company should provide documentation demonstrating why it should not be considered to be in violation of §10-4-111, C.R.S. In the event the Company is unable to provide such documentation, the Company should be required to provide evidence to the Division of Insurance that it has filed an updated homeowners disclosure form, and reviewed its procedures related to the filing of forms and implemented necessary changes to ensure compliance with Colorado insurance law.



**Market Conduct Examination  
Summary of Issues/Recommendations Locator**

<b>ISSUE</b>	<b>Rec. No.</b>	<b>Page No.</b>
<b>OPERATIONS &amp; MANAGEMENT</b>		
Issue A: Failure to file an updated homeowners disclosure form.	1	16

Independent Market Conduct Examiners

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Participated in this examination and in the preparation of this report